

**MARSHAL OF CITY COURT**  
**OF DENHAM SPRINGS - WARD TWO**

**REPORT ON AUDIT OF**  
**COMPONENT UNIT FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

12/1/10

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September 28, 2010

Independent Auditor's Report

Mr. Jerry Denton  
Marshal of City Court of  
Denham Springs - Ward Two  
Denham Springs, Louisiana

We have audited the accompanying financial statements of the governmental activities, the major fund (General Fund), and the budgetary comparison statement of the General Fund of the Marshal of City Court of Denham Springs - Ward Two, a component unit of the City of Denham Springs, as of and for the year ended June 30, 2010, which collectively comprise the Marshal's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Marshal. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Marshal's June 30, 2009 financial statements and, in our report dated December 10, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities and the major fund (General Fund).

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund (General Fund) of the Marshal of City Court of Denham Springs - Ward Two as of June 30, 2010, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Marshal of City Court of  
Denham Springs - Ward Two  
Denham Springs, Louisiana

In accordance with Government Auditing Standards, we have also issued a report dated September 28, 2010, on our consideration of the Marshal's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

*Hannis T. Bourgeois, M.P.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Marshal of City Court of Denham Springs-Ward Two's (Marshal) financial performance provides an overview of the Marshal's financial activities for the year ended June 30, 2010. Please read it in conjunction with the Marshal's financial statements, which begin on, page 7.

### **FINANCIAL HIGHLIGHTS**

The Marshal's net assets increased by \$93,878, or approximately, 221.77%.

The Marshal's total program revenues were \$718,790 compared to \$467,018 last year. Other revenues totaled \$25,952 as compared to \$26,042 last year.

Total expenses for the Marshal's Office during the year ending June 30, 2010 was \$650,864 compared to \$546,767 last year. This was an increase of \$104,097 or 19%.

### **USING THIS ANNUAL REPORT**

This report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (pages 7 and 8) provide information about the Marshal's activities as a whole. The Balance Sheet for Governmental Funds (page 9) details the assets and liabilities of the governmental funds while the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets (page 10) shows why the amounts reported for governmental activities in the Statement of Net Assets are different. Pages 11 and 12 detail the revenues, expenditures and changes in fund balance of the governmental funds while the reconciliation (page 13) reconciles net changes in fund balances to change in net assets of the Governmental Activities. Pages 14 and 15 reflect the differences in the adopted and actual budgets. The major differences in revenues were caused by an increase in court costs received due to an increase in the number of citations issued, charges filed and the Court's enactment of accepting payments online. Another difference in revenue was an increase in funding from the City of Denham Springs. The difference in expenditures was caused primarily by an increase in the number of personnel resulting in the need for additional uniforms, equipment and payroll taxes, vehicle maintenance expenses due to an aging fleet, along with the purchase of new vehicles and equipment expenses. Notes to the Financial Statements as a form of explanation follow this report. The Marshal is an independent elected official. However, since the Marshal's office is dependent on the City of Denham Springs to provide office space, a courtroom and related utility costs, as well as reimbursements of a portion of its salaries and related employee benefit costs, the Marshal is determined to be a component unit of the City of Denham Springs. The accompanying financial statements only present information on the funds maintained by the Marshal.

## **REPORTING THE FUNDS MAINTAINED BY THE MARSHAL OF CITY COURT OF DENHAM SPRINGS-WARD TWO AS A WHOLE:**

### **THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES**

Our analysis of the funds maintained by the Marshal as a whole begins on page 7. The Statement of Net Assets and Statement of Activities report information about the funds maintained by the Marshal as a whole and about its activities in a way which helps answer one of the most important questions asked about the Marshal's finances, "Is the Marshal, as a whole, better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.

These two statements report the Marshal's net assets and the changes in them. These net assets, the difference between the assets and the liabilities, is one way to measure the Marshal's financial position or financial health and over time, increases or decreases in the net assets are one indicator of whether its financial health is improving or deteriorating.

We record the funds maintained by the Marshal as governmental activities in the Statement of Net assets and Statement of Activities.

All of the expenses paid from the funds maintained are reported here as governmental activities and consist primarily of salaries, fees paid and benefits, office expenses, contract services, memberships, educational and training conferences, vehicle and equipment expenses and operational expenses. Court cost and fees and operating grants and contributions from the City of Denham Springs and the Livingston Parish Council finance most of the activities of the Marshal.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. The Marshal's total net assets increased from \$42,332 to \$136,210.

The largest portion of the Marshal's net assets at June 30, 2010 is in capital assets. The Marshal's office is able to take advantage of new technology in an effort to provide services to the public in the most efficient and effective manner.

**TABLE I**  
**TOTAL NET ASSETS**

	<u>2010</u>	<u>2009</u>	Increase (Decrease)
Current Assets	\$ 74,968	\$ 32,938	\$ 42,030
Capital Assets	<u>141,573</u>	<u>73,119</u>	<u>68,454</u>
Total	216,541	106,057	110,484
Liabilities	80,331	63,725	16,606
Net Assets:			
Investments in Capital Assets	97,990	73,119	24,871
Unrestricted	<u>38,220</u>	<u>(30,787)</u>	<u>69,007</u>
Total Net Assets	<u>\$136,210</u>	<u>\$ 42,332</u>	<u>\$ 93,878</u>

Total Net assets of the funds maintained by the Marshal's governmental activities increased by \$93,878, or approximately, 221.77%. Unrestricted net assets, the part of net assets that can be used to finance the Marshal's expenses without constraints or other legal requirements, increased \$69,007 for the year ended June 30, 2010.

**TABLE 2**  
**CHANGE IN NET ASSETS**  
**Governmental Activities**

	<u>2010</u>	<u>2009</u>	Increase (Decrease)
Revenues:			
Program Revenues:			
Court Costs and Fees	\$358,760	\$288,594	\$ 70,166
Operating Grants and Contributions	360,030	178,424	181,606
General Revenue	<u>25,952</u>	<u>26,042</u>	<u>(90)</u>
Total Revenues	744,742	493,060	251,682
Expenses:			
General Governmental Judicial Expense	<u>650,864</u>	<u>546,767</u>	<u>104,097</u>
Increase (Decrease) in Net Assets	<u>\$ 93,878</u>	<u>\$ (53,707)</u>	<u>\$147,585</u>

During the fiscal year ended June 30, 2010 Court Costs and Fees received increased by \$70,166 or approximately 24.31%, while Operating Grants and Contributions increased by \$181,606 and General Revenues decreased by \$90. Total revenues increased by \$251,682 or approximately 51%.

Expenses, excluding depreciation expense of \$28,776, increased by \$92,645 or approximately 18%. Salaries and benefits increased by \$25,104 due to a larger number of employees and pay rate increases. All other expenses increased by \$67,541 due to a larger number of personnel, vehicle maintenance and equipment expenses and operational expenses.

## **CAPITAL ASSETS**

Additional purchases of vehicles and technology equipment were made to improve efficiency.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The Marshal's management considered many factors when setting the operating budget for the fiscal year ending June 30, 2011. As minimal changes are expected in the next fiscal year, anticipated revenues will be approximately \$770,100, while anticipated expenditures will be approximately \$770,100. The 2011 operating budget is a zero based budget with fund balance remaining the same.

## **CONTACTING THE MARSHAL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview for the funds maintained by the Marshal of City Court of Denham Springs- Ward Two and to show the accountability for the money it receives. If you have any questions or need additional financial information, contact Marshal Jerry Denton at 398 Mayor Herbert Hoover Ave., Denham Springs, Louisiana 70726.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2010**

**With Comparative Totals as of June 30, 2009**

**ASSETS**

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents	\$ 74,163	\$ 26,796
Other Receivable	340	603
Due from Other Governments	465	5,539
Capital Assets (Net of Accumulated Depreciation)	<u>141,573</u>	<u>73,119</u>
Total Assets	<u>\$ 216,541</u>	<u>\$ 106,057</u>

**LIABILITIES**

Accounts Payable	\$ 18,921	\$ 36,516
Accrued Liabilities	5,709	4,230
Due to Primary Government	9,102	11,783
Due to Other Governments	3,016	2,908
Payroll Taxes Payable	-	8,288
Non-Current Liabilities:		
Due Within One Year	14,591	-
Due in More Than One Year	<u>28,992</u>	<u>-</u>
Total Liabilities	80,331	63,725

**NET ASSETS**

Investment in Capital Assets, Net of Related Debt	97,990	73,119
Unrestricted	<u>38,220</u>	<u>(30,787)</u>
Total Net Assets	<u>136,210</u>	<u>42,332</u>
Total Liabilities and Net Assets	<u>\$ 216,541</u>	<u>\$ 106,057</u>

The accompanying notes constitute an integral part of this statement.

**MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2010**  
**With Comparative Totals for the Year Ended June 30, 2009**

<b><u>Governmental Activities:</u></b>	<b><u>Total Governmental Activities</u></b>	
	<b><u>2010</u></b>	<b><u>2009 .</u></b>
<b>Expenses:</b>		
Judicial:		
Salaries, Fees Paid and Benefits	\$ 445,377	\$ 420,273
Office Expenses	103,879	63,453
Contract Services	67,165	43,377
Memberships and Educational Conferences	4,272	2,340
Interest Expense	1,395	-
Depreciation	<u>28,776</u>	<u>17,324</u>
Total Expenses	650,864	546,767
<b>Program Revenues:</b>		
Court Costs and Fees	358,760	288,594
Operating Grants and Contributions	<u>360,030</u>	<u>178,424</u>
Net Program Revenues (Expenses)	67,926	(79,749)
<b>General Revenues:</b>		
Miscellaneous Income	4,599	1,466
Donations	21,180	15,089
Interest Income	173	392
Net Gain on Sale of Capital Assets	<u>-</u>	<u>9,095</u>
Change in Net Assets	93,878	(53,707)
<b>Net Assets - Beginning of Year</b>	<u>42,332</u>	<u>96,039</u>
<b>Net Assets - End of Year</b>	<u>\$ 136,210</u>	<u>\$ 42,332</u>

The accompanying notes constitute an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

**MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO**

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2010**

**With Comparative Totals as of June 30, 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 74,163	\$ 26,796
Other Receivable	340	603
Due from Other Governments	465	5,539
Total Assets	<u>\$ 74,968</u>	<u>\$ 32,938</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 18,921	\$ 36,516
Accrued Liabilities	5,709	4,230
Due to Primary Government	9,102	11,783
Due to Other Governments	3,016	2,908
Payroll Taxes Payable	-	8,288
Total Liabilities	<u>36,748</u>	<u>63,725</u>
<b>Fund Balance:</b>		
Unreserved - Designated for Capital Outlay	24,374	-
Unreserved - Undesignated	<u>13,846</u>	<u>(30,787)</u>
Total Fund Balance (Deficit)	<u>38,220</u>	<u>(30,787)</u>
Total Liabilities and Fund Balance	<u>\$ 74,968</u>	<u>\$ 32,938</u>

The accompanying notes constitute an integral part of this statement.

**MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO**

**RECONCILIATION OF THE GOVERNMENTAL FUND**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2010**

**With Comparative Totals as of June 30, 2009**

	<u>2010</u>	<u>2009</u>
Fund Balance (Deficit) - Total Governmental Fund	\$ 38,220	\$ (30,787)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Governmental Capital Assets	290,741	193,511
Less: Accumulated Depreciation	<u>(149,168)</u>	<u>(120,392)</u>
	141,573	73,119
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds:		
Capital Lease Payable	<u>(43,583)</u>	<u>-</u>
	<u>(43,583)</u>	<u>-</u>
Net Assets of Governmental Activities	\$ <u>136,210</u>	\$ <u>42,332</u>

The accompanying notes constitute an integral part of this statement.

**MARSHAL OF CITY COURT OF DENHAM SPRINGS -WARD TWO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2010**  
**With Comparative Totals for the Year Ended June 30, 2009**

	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>		
Charges for Services:		
Court Costs and Fees	\$ 355,888	\$ 286,818
Bond Preparation Fee	1,203	793
Bond Surrender Fee and Bond Forfeiture	<u>1,669</u>	<u>983</u>
	358,760	288,594
Intergovernmental Revenues -		
On Behalf Payments	75,731	83,674
City Court of Denham Springs - Ward Two	24,374	-
Primary Government - City of Denham Springs	219,893	54,708
Livingston Parish Council	40,032	40,042
Miscellaneous Income	4,599	1,466
Donations	21,180	15,089
Interest Income	<u>173</u>	<u>392</u>
Total Revenues	744,742	483,965
<b>Expenditures:</b>		
Judicial:		
Salaries, Fees Paid and Benefits:		
Salaries	407,445	371,642
Payroll Tax Expense	23,577	33,560
Retirement Expense	<u>14,355</u>	<u>15,071</u>
	445,377	420,273
Office Expenses:		
Office Supplies and Printed Forms	22,183	14,035
Telephone	9,821	10,516
Postage	1,106	953
Miscellaneous	9,681	2,314
Insurance	25,191	10,682
Uniforms	14,284	11,339
Transition Expense	6,086	10,022
Police Supplies	<u>15,527</u>	<u>3,592</u>
	103,879	63,453

(CONTINUED)

**MARSHAL OF CITY COURT OF DENHAM SPRINGS -WARD TWO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2010**  
**With Comparative Totals for the Year Ended June 30, 2009**

<b>Expenditures (Continued):</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Judicial (Continued):		
Contract Services:		
Contract Labor	-	4,000
Professional Fees	23,917	8,505
Service Contract	10,725	5,713
Equipment Rental	6,207	2,307
Maintenance	3,076	753
Vehicle Expense	23,240	22,099
	<u>67,165</u>	<u>43,377</u>
Memberships and Educational Conferences:		
Membership Dues and Subscriptions	1,387	219
Training	2,885	2,121
	<u>4,272</u>	<u>2,340</u>
Capital Outlay	97,230	46,405
Debt Service:		
Principal Retirement	8,945	-
Interest	1,395	-
	<u>10,340</u>	<u>-</u>
Total Expenditures	<u>728,263</u>	<u>575,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,479	(91,883)
<b>Other Financing Sources:</b>		
Proceeds from the Issuance of Capital Lease	52,528	-
Sale of Capital Assets	-	10,101
Total Other Financing Sources	<u>52,528</u>	<u>10,101</u>
Net Change in Fund Balance	69,007	(81,782)
<b>Fund Balance - Beginning of Year</b>	<u>(30,787)</u>	<u>50,995</u>
<b>Fund Balance (Deficit) - End of Year</b>	<u>\$ 38,220</u>	<u>\$ (30,787)</u>

*The accompanying notes constitute an integral part of this statement.*



**MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2010  
With Comparative Totals for the Year Ended June 30, 2009**

	<u>2010</u>	<u>2009</u>
Net Change in Fund Balance - Total Governmental Fund	\$ 69,007	\$ (81,782)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay expense exceeded (was less than) depreciation expense in the current period.	68,454	29,081
The net effect of disposing of capital assets that were not fully depreciated.	-	(1,006)
The issuance of Long-Term Debt (e.g., bonds, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of Long-Term Debt consumes the current financial resources of the Governmental Funds. Neither transaction, however, has any effect on Net Assets.		
Proceeds from the Issuance of Capital Lease	(52,528)	-
Repayment of Principal on Long-Term Debt	<u>8,945</u>	<u>-</u>
Change in Net Assets of Governmental Activities	\$ <u>93,878</u>	\$ <u>(53,707)</u>

The accompanying notes constitute an integral part of this statement.

# MARSHAL OF CITY COURT OF DENHAM SPRINGS -WARD TWO

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>			
Charges for Services:			
Court Costs and Fees	\$ 357,555	\$ 355,888	\$ (1,667)
Bond Preparation Fee	1,050	1,203	153
Bond Surrender Fee and Bond Forfeiture	550	1,669	1,119
	359,155	358,760	(395)
Intergovernmental Revenues -			
On Behalf Payments	29,133	75,731	46,598
City Court of Denham Springs - Ward Two	24,374	24,374	-
Primary Government - City of			
Denham Springs	195,050	219,893	24,843
Livingston Parish Council	37,530	40,032	2,502
Miscellaneous Income	4,400	4,599	199
Donations	-	21,180	21,180
Interest Income	153	173	20
Total Revenues	649,795	744,742	94,947
<b>Expenditures:</b>			
Judicial:			
Salaries, Fees Paid and Benefits:			
Salaries	353,873	407,445	(53,572)
Payroll Tax Expense	7,038	23,577	(16,539)
Retirement Expense	11,700	14,355	(2,655)
	372,611	445,377	(72,766)
Office Expenses:			
Office Supplies and Printed Forms	20,850	22,183	(1,333)
Telephone	10,000	9,821	179
Postage	1,300	1,106	194
Miscellaneous	12,120	9,681	2,439
Insurance	33,980	25,191	8,789
Uniforms	15,100	14,284	816
Transition Expense	7,350	6,086	1,264
Police Supplies	16,000	15,527	473
	116,700	103,879	12,821

(CONTINUED)

# MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Expenditures (Continued):</b>			
Judicial (Continued):			
Contract Services:			
Contract Labor	1,070	-	1,070
Professional Fees	23,161	23,917	(756)
Service Contract	6,200	10,725	(4,525)
Equipment Rental	5,900	6,207	(307)
Maintenance	125	3,076	(2,951)
Vehicle Expense	29,300	23,240	6,060
	<u>65,756</u>	<u>67,165</u>	<u>(1,409)</u>
Memberships and Educational Conferences:			
Membership Dues and Subscriptions	1,350	1,387	(37)
Training	3,210	2,885	325
	<u>4,560</u>	<u>4,272</u>	<u>288</u>
Capital Outlay	73,874	97,230	(23,356)
Debt Service:			
Principal Retirement	5,075	8,945	(3,870)
Interest	275	1,395	(1,120)
	<u>5,350</u>	<u>10,340</u>	<u>(4,990)</u>
Total Expenditures	<u>638,851</u>	<u>728,263</u>	<u>(89,412)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,944	16,479	5,535
<b>Other Financing Sources:</b>			
Proceeds from Issuance of Capital Lease	-	52,528	52,528
Total Other Financing Sources	<u>-</u>	<u>52,528</u>	<u>52,528</u>
Net Change in Fund Balance	10,944	69,007	58,063
<b>Fund Balance - Beginning of Year</b>	<u>(30,787)</u>	<u>(30,787)</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ (19,843)</u>	<u>\$ 38,220</u>	<u>\$ 58,063</u>

The accompanying notes constitute an integral part of this statement.

## MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

#### **Note 1 - Summary of Significant Accounting Policies -**

The General Fund of the Marshal of City Court of Denham Springs - Ward Two (the "Marshal") was created to account for revenues received from the Criminal Docket of City Court of Denham Springs - Ward Two.

The accounting and reporting policies of the Marshal of City Court of Denham Springs - Ward Two conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units.

#### **A. Financial Reporting Entity**

For reporting purposes the City of Denham Springs, Louisiana, serves as the financial reporting entity for both the municipality (City of Denham Springs) and for the Ward Two Court System. The financial reporting entity consists of (1) the primary government (all funds under the auspices of the Mayor and City Council of the City of Denham Springs), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, established criteria for determining which component units should be considered part of the City of Denham Springs for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the City governing authority (Mayor and City Council) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the City and the potential component unit.
4. Imposition of will by the City on the potential component unit.
5. Financial benefit/burden relationship between the City and the potential component unit.

## MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

Based on the previous criteria, City Management has included the Marshal of City Court of Denham Springs - Ward Two as a component unit of the City of Denham Springs. Since the Marshal is an elected official and has certain statutorily defined sources of funds for his own operating and/or capital budget discretion, the funds of the Marshal of City Court of Denham Springs - Ward Two will be discretely presented in the City of Denham Springs government-wide financial statements for the year ended June 30, 2010.

#### B. Basis of Presentation

##### Basic Financial Statements - Government-Wide Statements

The Marshal's basic financial statements include both government-wide (reporting the Marshal as a whole) and fund financial statements (reporting the Marshal's major fund – the General Fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. There were no activities of the Marshal categorized as a business type activity.

In the government-wide Statement of Net Assets, the governmental activity column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of the Marshal's function. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (interest and investment earnings, etc).

The Marshal does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Marshal as an entity and the change in the Marshal's net assets resulting from the current year's activities.

## MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

#### Basic Financial Statements - Fund Financial Statements

The financial transactions of the Marshal are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The Marshal uses the following fund types:

#### Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Marshal:

- 1) The General Fund is the general operating fund of the Marshal. It is used to account for all financial resources except those required to be accounted for in another fund. At June 30, 2010, it is the only fund of the Marshal.

#### C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

##### 1. **Accrual -**

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the Marshal consist principally of interest income and fines and fees for services relating to court filings. Interest income is recorded when earned. Fines and fees for services are recorded when received in cash because they are generally not measurable until actually received.

## MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

#### **2. Modified Accrual -**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Depreciation is not recognized in the Governmental Fund Financial Statements.

#### **D. Capital Assets**

Capital assets are reported in the government-wide financial statements at historical cost. Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight line basis over the following estimated useful lives:

Vehicles	5 years
Computer equipment	5 years
Office furniture and equipment	5 to 10 years
Office improvements	10 to 20 years

#### **E. Budgets and Budgetary Accounting**

A proposed budget for the General Fund of the Marshal was not adopted for the fiscal year ended June 30, 2010. The amended budget was adopted June 15, 2010, for the fiscal year ended June 30, 2010.

#### **F. Accumulated Unpaid Vacation and Sick Pay**

The Employees of the Marshal of City Court of Denham Springs - Ward Two are not allowed to accumulate vacation or sick time.

## MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.

#### **Note 2 - Deposits and Investments -**

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with maturities of 90 days or less. Investments include certificates of deposit with maturities over 90 days. Under state law the Marshal may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the Marshal may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 2010, the carrying amount of the Marshal's Cash and Cash Equivalents and Investments totaled \$74,163, and the confirmed bank balances were \$106,482. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are to be held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved. The cash and cash equivalents at June 30, 2010, were secured as follows:



# MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in Bank Accounts per Balance Sheet	\$ 74,163	\$ -	\$ 74,163
Bank Balances (Category 3 Only):			
a. Uninsured and Uncollateralized	\$ -	\$ -	\$ -
b. Uninsured and Collateralized with Securities Held by the Pledging Institution	-	-	-
c. Uninsured and Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent, but not in the Entities Name	-	-	-
Total Category 3 Bank Balances	\$ -	\$ -	\$ -
Total Bank Balances (Regardless of Category)	\$ 106,482	\$ -	\$ 106,482

**Custodial Credit Risk - Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Marshal's deposits may not be returned to it. As of June 30, 2010, none of the Marshal's bank balance of \$106,482 was exposed to custodial credit risk because it was completely insured by FDIC.

### **Note 3 - Changes in Capital Assets -**

Capital asset activity for the year ended June 30, 2010 is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Office Equipment	\$ 21,489	\$ -	\$ -	\$ 21,489
Furniture and Fixtures	14,786	2,325	-	17,111
Machinery and Equipment	30,475	13,598	-	44,073
Vehicles	114,232	81,307	-	195,539
Leasehold Improvements	12,529	-	-	12,529
Totals	193,511	97,230	-	290,741

(CONTINUED)

# MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

<u>Governmental Activities</u>	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Less Accumulated Depreciation for:				
Office Equipment	9,981	2,437	-	12,418
Furniture and Fixtures	5,389	2,040	-	7,429
Machinery and Equipment	24,628	4,056	-	28,684
Vehicles	77,836	19,211	-	97,047
Leasehold Improvements	<u>2,558</u>	<u>1,032</u>	<u>-</u>	<u>3,590</u>
Total Accumulated Depreciation	<u>120,392</u>	<u>28,776</u>	<u>-</u>	<u>149,168</u>
Capital Assets, Net	<u>\$ 73,119</u>	<u>\$ 68,454</u>	<u>\$ -</u>	<u>\$ 141,573</u>

Depreciation expense was charged to governmental activities as follows:

Judicial	<u>\$ 28,776</u>
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### **Note 4 - Long Term Liabilities -**

Capital Lease Payable. The Marshal entered into a capital lease agreement on November 3, 2009, for financing the purchase of a 2010 Chevrolet Tahoe for the deputies. The lease requires monthly payments of principal and interest of \$618 for forty eight months with a final payment due January 19, 2014. In addition, the Marshal entered into a capital lease agreement on November 5, 2009, for financing the purchase of a 2010 Ford Crown Victoria for the deputies. The lease requires quarterly payments of principal and interest of \$2,332 for twelve quarters with a final payment due August 5, 2012. The lease agreements contain a non-appropriation exculpatory clause that allows cancellation if the Marshal does not make an annual appropriation for the lease payments. The capital leases payable at June 30, 2010, are as follows:

# MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

<u>Description/Purpose</u>	<u>Original Lease Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance June 30, 2010</u>
Capital lease to finance the purchase of 2010 Chevrolet Tahoe	\$ 26,727	5.50%	01/19/14	\$ 24,098
Capital lease to finance the purchase of 2010 Ford Crown Victoria	\$ 25,801	6.05%	08/05/11	\$ 19,485

Capital lease payments to maturity including interest requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 14,591	\$ 2,161	\$ 16,752
2012	15,460	1,293	16,753
2013	9,278	478	9,756
2014	4,254	77	4,331
Total	\$ 43,583	\$ 4,009	\$ 47,592

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2010 is as follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital Lease	\$ -	\$ 52,528	\$ 8,945	\$ 43,583	\$ 14,591

## MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

#### **Note 4 - Retirement Commitments -**

Employees of the Marshal of City Court of Denham Springs - Ward Two may elect to be members of the Parochial Employees' Retirement System of Louisiana - Plan "B", a multiple-employer public employee retirement system. Contributions to the system are made by both employees and the Marshal's office as a percentage of salaries. Beginning January 1, 2010, the contribution rate for the employer was 10.00% of covered earnings and the rate for the employee was 3.00% of covered earnings. For the fiscal year ended June 30, 2010, the Marshal contributed \$14,355. Data concerning the actuarial status of the system at June 30, 2010, is not currently available.

All employees of the Marshal's office are also covered by the Social Security System. The Marshal's office contributed \$23,577 to the System in fiscal year 2010, as its share of employer contributions.

#### **Note 5 - On-Behalf Payments for Salaries and Benefits -**

The Marshal follows Government Accounting Standards Board Statement No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." This standard requires the Marshal to report in the financial statements on-behalf salary and fringe benefit payments made by the State of Louisiana, the City Court of Denham Springs - Ward Two, and the Livingston Parish Council. These payments were made directly to the Marshal and his employees.

The Marshal is not legally responsible for these salary supplements. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contributions made by each of the entities to the Marshal and the employees.

For the fiscal year ended June 30, 2010, State supplemental payments to the Marshal and employees amounted to \$12,749 while payments from the City Court and the Livingston Parish Council amounted to \$45,907 and \$17,075, respectively.

#### **Note 6 - Revenues and Expenditures - Actual Compared to Budget**

The Marshal had actual expenditures and/or other uses over budgeted expenditures and/or other uses by 5% or more for the year ended June 30, 2010 as follows:

<u>General Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Judicial Expenditures	\$ 638,851	\$ 728,263	\$ (89,412)

State law requires that budgets be amended when actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures by 5% or more.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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September 28, 2010

Mr. Jerry Denton  
Marshal of City Court of  
Denham Springs - Ward Two  
Denham Springs, Louisiana

We have audited the financial statements of the governmental activities, the major fund (General Fund), and the budgetary comparison statement of the General Fund of the Marshal of City Court of Denham Springs - Ward Two (a component unit of the City of Denham Springs), as of and for the year ended June 30, 2010, which collectively comprise the Marshal's basic financial statements, and have issued our report thereon dated September 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Marshal's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshal's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marshal's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Marshal of City Court of  
Denham Springs - Ward Two

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Marshal's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings and responses as items 2010-01 and 2010-02.

The Marshal's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Marshal's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Louisiana Legislative Auditor. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document, and its distribution is not limited.

Respectfully submitted,

*Harold T. Bourgeois, CPA*

**MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED JUNE 30, 2010**

**Current Year Findings:**

**(A) Findings - Internal Control over Financial Reporting**

**None**

**(B) Findings - Compliance and Other Matters**

**Finding 2010-01: Failure to Properly Amend Budget**

State Law (LSA-R.S. 39:1310) requires that budgets be amended when actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures by 5% or more. The Marshal has a difference of more than 5% between budgeted and actual expenditures.

<u>Final Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Unfavorable Variance</u>	<u>Percentage Unfavorable Variance</u>
\$ <u>638,851</u>	\$ <u>728,263</u>	\$ <u>(89,412)</u>	<u>14.00%</u>

**Recommendation:**

We recommend that the Marshal's office familiarize themselves with all of the provisions of the Louisiana Local Government Budget Act to make sure all relevant statutes are followed in the future. We also recommend that the Marshal more closely monitor expenditures throughout the year to better able themselves to properly adhere to their budget. The unfavorable budget variance finding has been reported three years in a row.

**Management's Response:**

We agree with the auditor's recommendation and will familiarize ourselves with the provisions of the Louisiana Local Government Budget Act to ensure that all relevant statutes are followed in the future and will amend the budget as necessary.



**MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO**

**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2010**

**Finding 2010-02: Failure to Adopt Original Budget**

The Marshal failed to adopt an Original Budget for the year ended June 30, 2010 but adopted an amended budget on June 15, 2010. However, State Law (LSA-R.S. 39:1309) requires that the budget for a fiscal year shall be adopted in an open meeting and completed before the end of the prior fiscal year. The Marshal did prepare an original budget but was not aware that it needed to be completed before the prior fiscal year, as the prior year audit was not finished until December 2009.

**Recommendation:**

We recommend that the Marshal's office familiarize themselves with all of the provisions of the Louisiana Local Government Budget Act to make sure all relevant statutes are followed in the future. We acknowledge that the administration is taking steps to prepare a timely original budget and successfully adopting an amended budget. The administration adopted an original budget for the year ending June 30, 2011 on June 15, 2010

**Management's Response:**

We agree with the auditor's recommendation and will familiarize ourselves with the provisions of the Louisiana Local Government Budget Act to ensure that all relevant statutes are followed in the future.

## **MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO**

### **SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2010**

#### **(A) Findings - Internal Control over Financial Reporting**

##### **Finding 2009-01: Error in Balance of New Bank Account**

The new administration of the Marshal's office opened a new bank account to deposit and pay garnishments. The bank account the previous administration used for garnishment transactions was closed. We noted the cash balance in the bank of the closed bank account was deposited into a new account established at a different bank. The Marshal's Office failed to account for the outstanding checks that existed on the old account when the new account was opened. The old account had \$3,259 of outstanding checks that had not been reissued to the payee or turned over to the State Treasurer.

##### **Recommendation:**

We recommend for the Marshal's Office to investigate these outstanding garnishment checks and either reissue the checks to the proper payee or turn over the balance to the Louisiana State Treasurer's Office in accordance with escheat laws.

##### **Corrective Action Taken:**

During the current year, we noted the Marshal reissued some of the checks to the proper payees'. The Marshal turned over the remaining checks to the Louisiana State Treasurer's Office for the payees that could not be located.

##### **Finding 2009-02: Contract Services Paid Without a Documented Contract or Approval**

During the prior year audit, we noted a payment of \$4,000 that was identified as contract services. The invoice did not have an approval for payment from management, indicate when the services were performed, or the type of professional services rendered. In addition, the Marshal was not able to provide a signed contract that documented the type of services to be provided or the cost of the services.

##### **Recommendation:**

We recommend for the Marshal enter into a signed contract before paying professional services, approve expenses relating to any contract, and document the dates that the services were to be provided.

##### **Corrective Action Taken:**

During the current year, we noted no contract services performed.

**MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO**

**SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2010**

**(B) Findings - Compliance and Other Matters**

**Finding 2009-03: Failure to Amend Budget and Deficit Spending**

State Law (LSA-R.S. 39:1310) requires that budgets be amended when actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures by 5% or more. The Marshal failed to prepare an amended budget and has a difference of more than 5% between budgeted and actual expenditures.

<u>Original and Final</u> <u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Unfavorable Variance</u>	<u>Percentage</u> <u>Unfavorable Variance</u>
<u>\$432,450</u>	<u>\$575,848</u>	<u>\$(143,398)</u>	<u>33.2%</u>

In addition, due to a lack of effective budget monitoring, the Marshal ended with a deficit fund balance for the year. State law prohibits a budget amendment be adopted proposing expenditures which exceed the total of estimated funds available for the fiscal year. In addition, management needs to monitor the appropriated budget to make sure actual spending does not result in a deficit fund balance.

In the current year, we noted that the Marshal is still not in compliance with State Law (LSA-R.S. 39:1310), as they have a difference of more than 5% between budgeted and actual expenditures. This instance of noncompliance is reported as finding 2010-01.

**Recommendation:**

We recommend that the Marshal's office familiarize themselves with all of the provisions of the Louisiana Local Government Budget Act to make sure all relevant statutes are followed in the future. We also recommend that the Marshal more closely monitor expenditures throughout the year to better able themselves to properly adhere to their budget. In addition, we recommend for the Marshal to take immediate steps to resolve the deficit fund balance in the general fund. The unfavorable budget variance finding was also reported in the prior year as finding 2008-02.

**MARSHAL OF CITY COURT OF DENHAM SPRINGS - WARD TWO**

**SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2010**

**Finding 2009-04: Severance Paid to Terminated Employees**

The previous administration of the Marshal's office paid severance wages to the terminated employees in December 2008 and prior to the new administration taking office in January 2009. The total amount of severance pay paid to six employees in December 2008 amounted to \$9,095.

Article 7, Section 14(A) of the Louisiana Constitution prohibits the state or any political subdivision of the state from loaning, pledging, or donating funds, property, or things of value of the state or any political subdivision thereof to or for any person. The Louisiana Supreme Court ruled that Article 7, Section 14(A) is violated whenever the state or one of its political subdivisions seeks to give up something of value when it is under no obligation to do so. In addition, the Louisiana Attorney General has several legal opinions where he reaches the conclusion that the payment of severance wages to employees is a violation of Article 7, Section 14(A) of the Louisiana Constitution.

**Recommendation:**

We recommended for the Marshal's office to follow all applicable laws related to payment to employees. In addition, we recommended for the current Marshal to seek legal advice to determine if the previous Marshal's payments of severance wages can be recovered.

**Corrective Action Taken:**

During the current year, we noted no severance paid to former employees. Also, the Marshal's office has recovered \$2,976 of severance pay out of the \$9,095 disbursed in the prior year and is continuing to collect the money.